

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 13th
day of April, 1990.

In the matter of the application of St. Louis County Water)
Company for approval of a contract for the purchase of the)
assets of Public Water Supply District #1 of St. Louis) Case No. WM-90-124
County, and for an accounting order.)
)

ORDER APPROVING PURCHASE OF ASSETS AND ACCOUNTING ORDER

On December 19, 1989, St. Louis County Water Company (Applicant) filed an application requesting Commission approval of the purchase of all of the assets of Public Water Supply District #1 of St. Louis County, Missouri (District) by Applicant and an accounting order approving certain journal entries. Applicant proposes to purchase District's assets for the amount of District's outstanding debt at closing, not to exceed \$500,000. At least \$250,000 of the purchase amount is to be paid back to Applicant over a 60-month period, including carrying charges, by a Customer Fair Share Charge (CFSC) which will be in addition to monthly water bills paid at Applicant's tarified rates.

Applicant states that it is proposing to purchase District's water system to further the public interest because District's water supply problems and debt have limited District's ability to adequately meet the needs of its customers. District's water bills are considerably higher than Applicant's and District would incur additional debt to increase its water supply. By purchasing District's assets, Applicant can integrate District's system into Applicant's and thereby provide additional supply to affected customers.

Although the purchase of District's assets would not fall within the provisions of Section 393.190, R.S.Mo. 1986, Applicant is seeking Commission approval because of the CFSC and treatment of the purchase on Applicant's books. Applicant

states that the purchase could be considered uneconomic and is only undertaken in the interest of District's customers. Commission approval is sought to ensure Applicant is not penalized for this uneconomic investment.

Applicant has requested an accounting order approving that the entries at the date of sale shall record the property on Applicant's books based upon purchase price as opposed to original cost. These entries shall reflect an initial contribution in aid of construction (CIAC) of \$250,000 for the CFSC. Applicant set out in its application the journal entries it is requesting. Applicant proposes to continue the entries until either the end of the 60-month period following closing or until such time as Applicant's investment in the purchase price would be reduced to \$150 per customer, whichever occurs first. Applicant states that \$150 is the economic value of each new District customer it undertakes to serve.

Staff filed a memorandum concerning the purchase and accounting treatment. Staff recommends the Commission approve the purchase and accounting treatment proposed by Applicant. Staff Accounting Department states that Applicant's treatment of the CFSC as a contribution, CIAC, is similar to treatment afforded advances from promoters and others. Staff states that Applicant's investment in plant in service will be offset by the CFSC in rate base. Staff Water and Sewer Department states that purchase by Applicant will be beneficial to District customers and Applicant can operate the system without any adverse effect on Applicant's customers.

The Commission has reviewed the application and Staff's recommendations and has determined that the purchase of District's system by Applicant will be approved. From the information presented, the Commission finds that the purchase will be in the public interest. Incorporating District's system into Applicant's will ensure affected customers have an adequate water supply.

In addition, the Commission determines that Applicant will be authorized to book the purchase and CFSC as requested. This treatment is similar to other contributions and Applicant should not be adversely affected by the purchase.

It is, therefore,

ORDERED: 1. That St. Louis County Water Company is hereby authorized to purchase the assets of Public Water Supply District #1 of St. Louis County, Missouri, as described in this application.

ORDERED: 2. That St. Louis County Water Company is hereby authorized to make journal entries for the purchase of assets approved in Ordered 1 as requested.

ORDERED: 3. That this order shall become effective on the date hereof.

BY THE COMMISSION

Harvey G. Hubbs

Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., Rauch and
McClure, CC., Concur.
Mueller and Letsch-Roderique,
CC., Absent.